

BOEING AIRPLANE COMPANY and SUBSIDIARY COMPANIES

Report to Stockholders

YEAR ENDED DECEMBER 31, 1943

COVER:

Vapor trails mark the pathway to victory. Only at extreme altitude does this phenomenon occur. Boeing Flying Fortresses, operating at high altitudes, were first to make possible precision daylight bombing of heavily defended enemy targets.

(U. S. Army Air Forces Photo)



ABOVE: "Flight without Wings." The Boeing manufacturing system, involving pre-completion of major parts on separate lines, has set world's production records.

BELOW: Typical of Boeing-developed time-saving tools is this automatic spot welding table for joining aluminum alloy stock into large size sheets.









Annual Report

To the Stockholders of Boeing Airplane Company:

The year 1943 has been the Boeing Company's greatest year of achievement. The productive effort of the various Divisions of your Company continued to meet the requirements of the Army Air Forces for both the Boeing Flying Fortresses and the Boeing Kaydet primary training planes. In addition, production deliveries of the Boeing B-29 Superfortresses began in two of the Company's Divisions.

War-time restrictions again make it impossible to set forth many facts relating to the Company's operations that would otherwise appear in this report. However, an effort has been made to give you a concise picture of the activities and accomplishments of your Company during the period under review.

Again, your Management wishes to acknowledge its appreciation of the efforts of its employees which have made possible the greatest production record in the Company's history. This achievement is a tribute to the workers, supervisors and officers with whom the plants of the Company are staffed.

Corporate Structure

The corporate structure of your Company has undergone no change during the period under review. Boeing Airplane Company is a Delaware corporation and is an operating company through its Wichita Division, located at Wichita, Kansas. All of the capital stock of Boeing Aircraft Company is owned by Boeing Airplane Company. Boeing Aircraft Company is a Washington corporation and has two main divisions, both in the Seattle area—the Renton Division located near Renton, Washington, and the Seattle Division in the City of Seattle, where the head offices of both companies are located. Boeing Aircraft Company also owns all the capital stock of Boeing Aircraft of Canada Limited at Vancouver, British Columbia. In this report, for convenience, Boeing Airplane Company and Boeing Aircraft Company are sometimes collectively referred to as "the Company."

Accomplishments by Divisions

Boeing Aircraft Company, Seattle, which was the first aircraft manufacturer to receive the Army-Navy "E," was awarded additional stars on its "E" flag denoting continued excellence of production performance. It has continued to produce Boeing Flying Fortresses in ever increasing quantities, despite serious handicaps and problems brought about by manpower shortage during the months of June, July and August, 1943. The production record of the

EFFICIENCY IN USE OF FACILITIES

Pounds Airframe Produced Monthly Per Square Foot of Direct Floor Area . . . 1943 Average

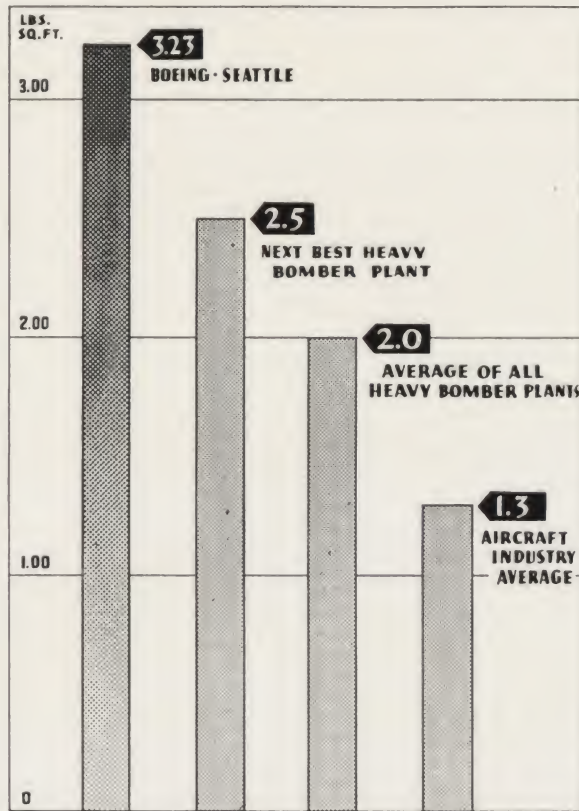


CHART A

Seattle Division, which was the main productive unit of the Company during 1943, is illustrated by the accompanying charts.

Chart A shows the average number of pounds of airframe produced monthly per square foot of direct floor area, in compari-

son with the average of other plants producing similar aircraft and also as compared with the aircraft industry average. Chart B is a measure of the Company's efficiency in the use of manpower. This chart shows the average number of direct man hours per pound of airframe produced during the year, again compared with the record of other plants producing similar aircraft, as well as with the aircraft industry average. Chart C (Page 8) shows a comparison of aircraft deliveries with manpower used. It illustrates

EFFICIENCY IN USE OF MANPOWER

Direct Man Hours Per Pound of Airframe Produced
1943 Average

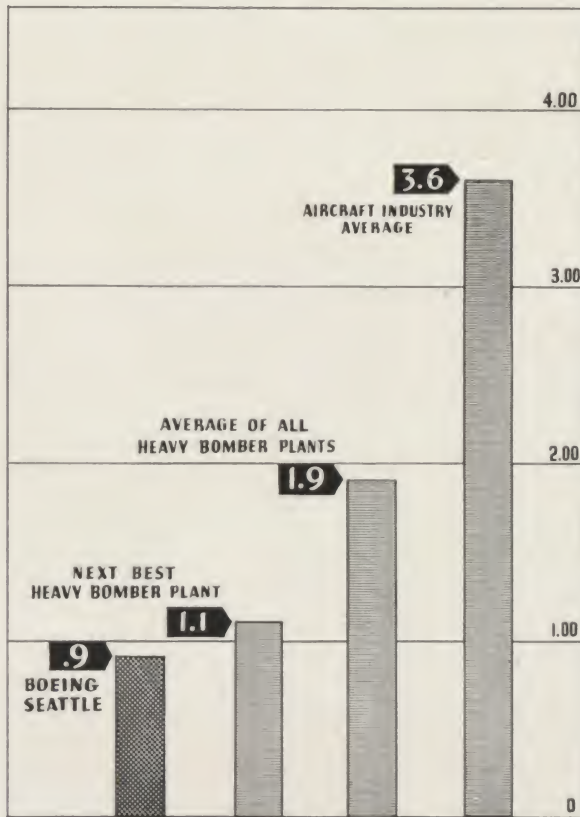


CHART B

how the production rate has continued steadily upward despite the fact that manpower has remained practically constant since 1942.

During 1944 the Seattle Division will be in process of conversion to production of B-29 Superfortresses. This conversion will be

accomplished gradually, with B-17 production decelerating while B-29 production is being accelerated.

COMPARISON OF BOEING FORTRESS DELIVERIES AND MANPOWER

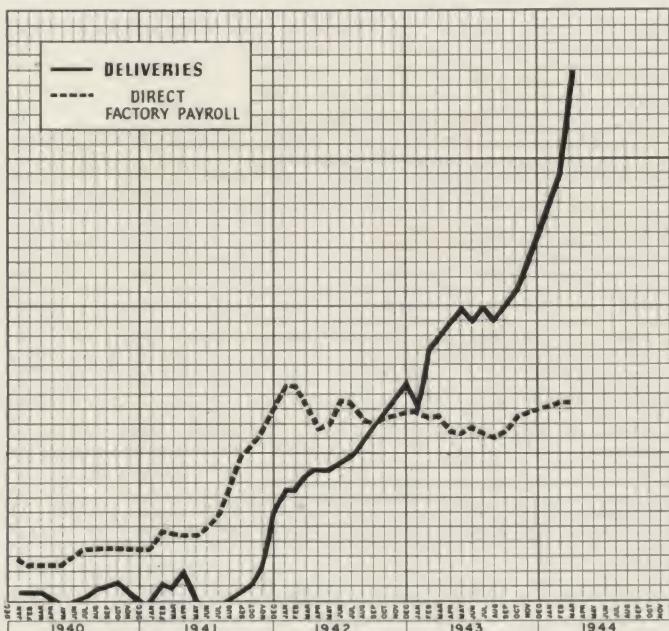


CHART C

Boeing Aircraft Company—Renton Division has now been completely retooled for the production of Boeing Superfortresses, and the delivery of these large bombers began at the close of the year. The facilities of this particular Division were developed for the production of a long range Navy patrol flying boat. The Government later required a complete change-over of this Division to the production of Superfortresses.

Boeing Airplane Company—Wichita Division has maintained its high record of production of Boeing Kaydet primary training planes, for which it received additional Army-Navy "E" award stars, and during the year began making deliveries of Boeing Superfortresses. A deceleration of the training plane program was begun due to the decreasing need for this type of aircraft but at the same time the production of bombers was accelerated. A fuller account of the activities of the Wichita Division and pictures illustrating these activities are not possible because of military restrictions surrounding the B-29.

Boeing Aircraft of Canada Limited has continued to manufacture patrol bombers for the Canadian Government in increasing quantities, as well as component parts for various other types of aircraft being produced by other companies in the Dominion of Canada.

Facilities

In Seattle, the Company completed the acquisition of the Government's interest in facilities at a cost of \$7,101,819.03 so that with the exception of a few temporary buildings, one permanent building and certain equipment, the entire Seattle manufacturing facility is the property of the Company. In addition, a modern wind tunnel which is being built with Company funds is rapidly nearing completion.

Because of the critical manpower shortage in the Seattle area, it became necessary to move certain types of work previously performed in the Seattle and Renton facilities to other communities within the State of Washington where manpower was available. As a result, the Company is operating six branch plants on leased premises at these various locations.

The facilities of the Renton Division are owned by Defense Plant Corporation. They were expanded during the year by the addition of an airport adjacent to the plant so that completed land planes could be flown away.

At the Wichita Division, there are two facilities—the Company-owned plant which produces training planes and the Defense Plant Corporation facility which is producing bombers. No major changes in these facilities were made during the year with the exception of some additional warehouse buildings erected by Defense Plant Corporation.

The main Vancouver, B. C., facilities are owned by the Canadian Government, Boeing Aircraft of Canada Limited owning one plant which is used solely for machine work and the manufacture of parts. It has also been necessary to institute a system of branch plants in cities adjacent to Vancouver because of the manpower shortage. At present three such branch plants, on leased premises, are being operated.

Engineering and Research

The Boeing Engineering staff represents one of the largest of such organizations in the aircraft industry. It has been necessary to maintain a large staff in order to continue to improve the Boeing Flying Fortress series and to carry on the development and completion of design of the Boeing Superfortress as well as several experimental designs of advanced character.

The Boeing Flying Fortress and the Superfortress are also being produced by other companies and it is necessary to service these companies with engineering and tooling information as well as to maintain a close liaison with them and keep them up to date on all changes. The Field Service Engineering activity has expanded to world-wide proportions and service groups are located overseas in all combat areas where Boeing airplanes are in action. Boeing is also responsible for carrying on all field service work in connection with Flying Fortresses and Superfortresses built by other companies.

The Company is continuing to carry out an extensive program of engineering, aerodynamic and flight test research in order to maintain its position in the forefront of aircraft engineering development.

The success of the Boeing Flying Fortress in all theatres of war where it has been used conclusively demonstrates the soundness of Boeing design and engineering methods.

Future Planning

Future planning for the Company is being continued by the Engineering Department and by an independent agency. The purpose of this planning and research is to equip the Management with information to enable it to make the necessary decisions on problems that will confront the Company in the future. The Management recognizes that problems of even greater magnitude than those encountered during the war will be presented when peace comes, which may necessitate the manufacturing and marketing of other products in addition to aircraft.

A conservative national campaign of institutional advertising has been continued, to acquaint the public with the accomplishments of the Company, its exceptional record in the development and production of aircraft and its abilities applicable to future products.

Industrial Relations

The complication of war-time economy plus the ever increasing size and number of the Company's activities have necessitated the development of a more comprehensive Industrial Relations Department. This department deals with all labor relations problems, employment, medical aid, in-plant feeding, safety, housing, share-the-ride program, rationing, and many other similar activities.

During the year employment in the Company's plants in the Seattle area decreased during the first few months, remained static for the next three, and started an upward trend in September. At the end of the period under review sufficient workers were available to meet the requirements of the Company's contractual obligations.

A new labor contract has finally been consummated for the Seattle area operations and during the year two upward revisions of wage rates were ordered by the War Labor Board. One revision, by a directive on March 3, 1943, grew out of a study begun in June, 1942, of the Pacific Coast airframe industry with a view to stabilizing wages therein. This directive proved to be unacceptable to the union because there remained too great a difference between wages paid by your Company for certain skills and those paid for similar skills by other industries in the Seattle area. After constant negotiations between the Company, the Union, and the War Labor Board, a further directive was issued on September 4, 1943, placing in effect a job evaluation plan with a second upward revision of wage rates.

During the year, a labor contract was entered into between the Wichita Division and District Lodge No. 70 and the Grand Lodge of the International Association of Machinists covering most of the productive employees in the shops of that Division. Prior thereto, a job evaluation plan was in effect at this Division and such a plan was continued after the signing of the contract. Certain upward wage revisions were authorized by the War Labor Board.

No work stoppages of major character occurred in any of the Divisions of the Company.

The necessity for in-plant feeding in the Seattle Division has resulted in the design and construction by the Company of a complete, modern in-plant feeding system for this Division. It is anticipated that this facility will be completed and in operation by June, 1944. Upon such completion, all of the Company's manufacturing Divisions will have adequate in-plant feeding systems.

FINANCIAL

The balance of the report deals with financial matters.

Renegotiation

The Management regrets that it is necessary this year to submit financial statements before arriving at any understanding with the Government with respect to renegotiation. Preliminary con-

versations have been held with representatives of the War Department who were on a fact-finding tour of the various aircraft companies but as yet no indication has been given as to whether the Company will be subjected to renegotiation for the year 1943.

It was pointed out to the War Department representatives that although the Company's volume of business in 1943 had increased \$106,600,000 over 1942, profits after taxes but before reserve provisions had decreased \$1,569,754. Comparative figures for the years 1942 and 1943 demonstrating this fact are as follows:

	1943	1942
Provision for contract adjustments and indeterminate expenses resulting from wartime conditions.....	\$2,000,000	\$ 2,500,000
Provision for development of post-war products and markets	2,545,000	2,860,000
Net profit after taxes per profit and loss statement	4,482,870	5,237,624
Total for 1942		\$10,597,624
Total for 1943	<u>\$9,027,870</u>	<u>\$ 9,027,870</u>
1943 decrease in profits before reserve provisions		\$ 1,569,754

It is the Management's considered opinion that, because of the Company's outstanding production and economy record during the year 1943 and the fact that 1943 profits are substantially lower than those of 1942 in the face of a large increase in volume of business, neither Boeing Airplane Company nor Boeing Aircraft Company should be subjected to renegotiation for the year 1943. Consequently no provision has been made in the financial statements for any reduction of profits by reason of renegotiation.

Post-War Credit

The Internal Revenue Code provides that ten per cent of the excess profits tax paid with respect to the year 1943 shall be returned to the taxpayer in the form of a non-interest bearing bond which, until the cessation of hostilities, cannot be sold, pledged or otherwise transferred. These bonds will mature at the end of the third year after the cessation of hostilities as defined by the code. In view of the uncertainty as to when hostilities may cease and because the amount of cash finally to be received is uncertain, the Directors concluded as they did last

year, that they would set aside the amount to be realized from the bond, whatever it may finally be, as a funded reserve for development of post-war products and markets.

Claims for Refund

The Internal Revenue Code provides that excess profits taxes be levied on current year earnings which are in excess of average earnings for the base period (1936-1939) or in excess of a certain per cent of the company's invested capital.

Section 722 provides "special relief" for companies whose base period earnings were depressed for any one or more of the reasons set forth in such section. During the "base period" Boeing Aircraft Company was engaged in developing the Flying Fortress, the Stratoliner, and the transoceanic Clipper and heavy losses were incurred because of these developments. As a consequence, the Company has a very unfavorable tax base and pays an excessive amount of tax. Thus the Company now finds itself penalized because of its efforts in developing the very airplanes upon which America now so heavily depends. Boeing Aircraft Company has presented claims in substantial amounts to the Bureau of Internal Revenue under Section 722 wherein the above facts are set forth and reasons are given why the Company is entitled to "special relief" for the years 1941 and 1942. In view of the fact that many companies have filed claims it is probable that the Bureau will not give consideration to the claims of Boeing Aircraft Company for some time to come.

Profits

In the 1942 Report the Company showed in graphical form that, due to reduced costs upon which fees are based and to reductions in the per cent of fee allowed, there would be a substantial reduction in profit per Flying Fortress delivered. As pointed out elsewhere, sales increased from \$386,567,316 for the year 1942 to \$493,188,161 for 1943, while the net profit, after reserves and taxes and after provision for renegotiation for 1942 but before any provision for renegotiation for 1943, decreased from \$5,237,624 in 1942 to \$4,482,870 in 1943. Thus the net profit for 1943 is only ninety-one one-hundredths of one per cent of the gross sales for the year. Chart D (Page 14) graphically sets forth this reduction in profit compared to the increase in business done during the war years 1941-1943 inclusive.

Profits per Flying Fortress delivered in 1944 will further substantially decrease as compared with 1943 and it is questionable

whether the volume of business to be done can be increased sufficiently to offset this per unit decrease in profits.

As pointed out in the 1942 Report, the Company's business is now almost entirely on a cost-plus-a-fixed-fee basis. This type of contract has from time to time been attacked on the grounds

COMPARATIVE SALES AND NET PROFITS

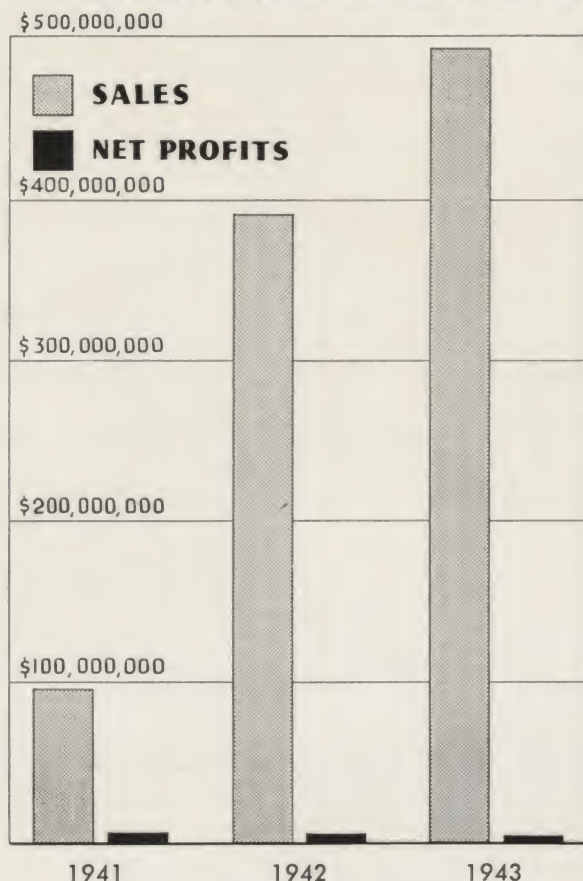


CHART D

that the contractor has no incentive to reduce costs, is encouraged to hoard manpower, etc. However, the record of the Boeing Companies, as set forth under the heading "Accomplishment by Divisions," is a complete refutation of these contentions as applied to such Companies.

Boeing Aircraft of Canada Limited

The condensed balance sheet as at December 31, 1943 in Canadian dollars, together with pertinent footnotes, is again pre-

sented for Boeing Aircraft of Canada Limited. This Company continued to operate entirely on work for the Canadian Government or its agencies. Substantially all of the contracts provide that the determination of profit to be realized from these contracts is left to the discretion of the Minister of Munitions and Supply. He has not made such a determination with respect to the major contracts performed during the years 1942 and 1943 and part of 1941. Canadian income tax law likewise provides for the determination by the Board of Referees appointed under the provisions of the Canadian Excess Profits Tax Act of a "standard profit." All profits in excess of this standard are payable as taxes to the Government. A certain percentage thereof (approximately 20) will be returned to the Company at varying dates after the end of the emergency. No determination has been made by the Board of what constitutes "standard profits" for Boeing Aircraft of Canada and the Company therefore has no indication of what profit it has earned from its contracts nor what profit it will be permitted to keep. No profits or other results of operations of Boeing Aircraft of Canada Limited for the year 1943 are reflected in the Consolidated Balance Sheet or Consolidated Profit and Loss Statement of Boeing Airplane Company and Subsidiary Company. Deliveries for the year 1943 for this subsidiary totaled approximately \$25,000,000.

By order of the Board of Directors.

P. G. JOHNSON,
President

April 14, 1944.

BOEING AIRPLANE COMPANY

CONSOLIDATED

December

ASSETS

CURRENT ASSETS:

Cash	\$ 10,345,993
Cash and United States War Savings Bonds held for the account of employees	405,942
Accounts receivable, including \$1,883,625 due from the United States	5,863,897
Reimbursable costs and accrued fees in respect of cost-plus- a-fixed-fee contracts with the United States, less portion of fees withheld, \$4,700,103 (Note 1)	71,836,082
Advances to subcontractors	1,577,142
Inventories of contracts in progress, purchased materials and parts, less reserve for loss of \$385,000	<u>2,742,342</u>
TOTAL CURRENT ASSETS	\$ 92,771,398

INVESTMENTS AND OTHER ASSETS:

Investment in and advances to Boeing Aircraft of Canada Limited, a wholly-owned subsidiary, not consolidated ..	\$ 284,403	
Deposits with mutual insurance company, etc.	81,236	
Estimated post-war refund of excess profits tax (Note 2) ..	<u>5,348,869</u>	5,714,508

EMERGENCY PLANT FACILITIES ACQUIRED UNDER CON- TRACTS WITH THE UNITED STATES, less reserve for amortization of \$638,316

3,740,578

FIXED ASSETS, at cost, including \$10,724,611 being amortized over a sixty-month period under Certificates of Necessity:

Land and buildings	\$10,517,426	
Machinery, tools and equipment	<u>5,067,664</u>	
	\$15,585,090	
Less—Reserves for depreciation and amortization	<u>6,514,405</u>	9,070,685

DEFERRED CHARGES

450,237

\$111,747,406

NOTE: The above consolidated balance sheet is subject to the

AND SUBSIDIARY COMPANY

BALANCE SHEET

31, 1943

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts payable		\$ 22,435,990
Employees' payroll deductions for United States War Savings Bonds		405,942
Accrued wages, taxes, etc.		15,715,837
Provision for Federal income and excess profits taxes and State income tax (Note 3)	\$26,800,497	
Less—United States Treasury Notes (Tax Series) and Certificates of Indebtedness	20,633,712	6,166,785
Advances on cost-plus-a-fixed-fee contracts (Note 1)	\$49,346,060	
Less—Unexpended portion thereof in restricted bank accounts	20,765,179	28,580,881
TOTAL CURRENT LIABILITIES		\$ 73,305,435

NOTES PAYABLE TO BANK (Note 4), payable in installments from reimbursements receivable from the United States under an emergency plant facilities contract, the right of the company to receive such reimbursements having been assigned to the bank

2,553,264

RESERVES FOR:

Contract adjustments and indeterminate expenses resulting from war-time conditions (Note 5)	\$ 6,900,486	
Development of post-war products and markets (Note 2) ..	5,348,869	12,249,355

CAPITAL STOCK AND SURPLUS:

Capital Stock:

Authorized—1,250,000 shares of \$5.00 par value		
Issued and outstanding—1,082,454 shares, including 467¼ shares issuable for shares of common stock of United Aircraft & Transport Corporation when presented for exchange	\$ 5,412,270	
Paid-in surplus	8,142,064	
Earned surplus	10,085,018	23,639,352
		<u>\$111,747,406</u>

notes to consolidated financial statements on succeeding pages.

BOEING AIRPLANE COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 1943

Sales, including reimbursable costs under cost-plus-a-fixed-fee contracts and accrued fees to the extent that such fees are not withheld		\$493,188,161
Other income—discount on purchases, etc.....		188,041
		<u>\$493,376,202</u>
Cost of sales and other corporate expenses, including depreciation of \$987,570.....	\$459,139,634	
Amortization of facilities acquired during the emergency period with own funds in excess of depreciation charged in respect thereof	1,388,698	
(Not including amortization of \$638,316 equivalent to reimbursements from the United States under an emergency plant facilities contract)		<u>460,528,332</u>
		<u>\$ 32,847,870</u>
Provision for contract adjustments and indeterminate expenses resulting from war-time conditions (Note 5).....	\$ 2,000,000	
Provision for estimated Federal income taxes (\$890,000), Federal excess profits taxes (\$25,450,000) and State income tax (\$25,000) (Note 3) (The post-war refund of excess profits tax of \$2,545,000 has been transferred to the reserve for development of post-war products and markets—Note 2)....	26,365,000	28,365,000
Profit transferred to earned surplus		<u><u>\$ 4,482,870</u></u>

NOTE: The above consolidated profit and loss statement is subject to the notes to consolidated financial statements on succeeding pages.

BOEING AIRPLANE COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED SURPLUS ACCOUNTS

Year ended December 31, 1943

	<i>Earned Surplus</i>	<i>Paid-in Surplus</i>
Balance—January 1, 1943	\$ 7,767,056	\$ 8,142,064
Add—Profit for the year ended December 31, 1943	4,482,870	
	<u>\$12,249,926</u>	<u>\$ 8,142,064</u>
Deduct—Cash dividends paid, \$2.00 per share	2,164,908	
Balance—December 31, 1943	<u>\$10,085,018</u>	<u>\$ 8,142,064</u>

NOTE: The above consolidated surplus accounts are subject to the following notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1943

NOTE 1:

Under the terms of certain cost-plus-a-fixed-fee contracts the government has made advances which are restricted for use in the performance of said contracts. The contracts provide that all reimbursements for costs thereunder shall be deposited in restricted bank accounts, which secure the repayment of the advances.

NOTE 2:

The board of directors of the company has authorized an addition to the reserve for post-war products and markets in an amount (\$2,545,000) equal to the post-war refund of excess profits tax. It is intended that the reserve be funded by the post-war refund of excess profits taxes and revisions of the reserve have been authorized to give effect to any subsequent adjustment to the post-war refund.

NOTE 3:

Under the provisions of the Internal Revenue Code, Federal income and excess profits taxes accrued and paid during the war period, and the post-war refund of excess profits tax, are subject to adjustments for factors not currently determinable. These factors may include, among others, two-year carry-back of losses,

the reallocation of amortization of emergency plant facilities, and special relief provisions. The company's subsidiary has made application for relief under Section 722 of the Code with respect to excess profits taxes for 1941 and 1942.

NOTE 4:

Under the terms of contracts between the company's subsidiary and the United States for the acquisition, construction and installation of emergency plant facilities, the government has agreed to reimburse the company's subsidiary for such expenditures, as limited in amounts by the contracts, over a period of sixty consecutive calendar months following completion. In connection therewith the company's subsidiary has entered into agreements with The National City Bank of New York pursuant to which the bank has loaned or agreed to loan the amounts expended subject to the maximum limitations of the agreements. The agreements provide that the bank shall have recourse for the payment of the principal of all such loans solely to the payments which are to be made by the government under the terms of the emergency plant facilities contracts, which have been assigned to the bank, except in the case of default by the company's subsidiary in connection with the performance of the contracts with the government or the agreements with the bank. At December 31, 1943, the company's subsidiary had borrowed under only one of such agreements.

NOTE 5:

For the year 1943 an addition of \$2,000,000 was made to the reserve for contract adjustments and indeterminate expenses resulting from war-time conditions, which reserve had been established in a prior year. At December 31, 1943, this reserve is applicable primarily to costs and expenses of a nature which it is expected will occur at the termination of the war period, including adjustments of war contracts and costs and expenses relative to personnel and plant facilities. During the year 1943 a charge of \$49,582 was made against this reserve to record the net effect of a price adjustment applicable to 1942.

NOTE 6:

The company does not believe that it should be required to make any refund, for the year 1943, to the United States under the Renegotiation Act, and no provision has been made therefor in the accounts. Preliminary investigations have been made by representatives of the War Department for the purpose of determining whether, in their opinion, excessive profits have been realized, but the views of the government have not been indicated to the company.

ACCOUNTANTS' REPORT

To The Stockholders.

BOEING AIRPLANE COMPANY:

We have examined the consolidated balance sheet of Boeing Airplane Company and Subsidiary Company as at December 31, 1943, and the consolidated statements of profit and loss and surplus accounts for the year then ended. In connection therewith we reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary, except that it was not practicable to obtain satisfactory confirmations of receivables from United States Government departments and agencies, with respect to which we have satisfied ourselves by means of other auditing procedures.

Subject to the effect, if any, of renegotiation of war contracts, as to which we are not in a position to express an opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, in our opinion, fairly present the consolidated position of Boeing Airplane Company and Subsidiary Company at December 31, 1943, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year.

ALLEN R. SMART & CO.,
Certified Public Accountants.

Seattle, Washington,
April 14, 1944.

BOEING AIRCRAFT OF CANADA LIMITED

CONDENSED BALANCE SHEET AS AT DECEMBER 31, 1943

(IN CANADIAN DOLLARS)

ASSETS

Cash in Banks and on Hand		\$ 281,299.55
Accounts Receivable		288,468.87
Victory Bonds and Accrued Interest (Market Value \$249,727.19) (Note 2)		250,727.19
Advance Payments on Material		62,488.72
Expended for Canadian Government on Construction of Tools and Equipment		295,302.21
Inventories:		
Arising from Contracts with the Canadian Government, including delivered finished goods on which sales prices have not been fixed, work in process, raw materials and supplies, title to substantially all of which has passed to the Government—at Cost (Note 3)	\$40,346,113.23	
Less Progress Payments	37,388,814.62	
	\$ 2,957,298.61	
Other—at lower of cost or market	154,912.06	3,112,210.67
TOTAL CURRENT ASSETS (Note 1)		\$4,290,497.21
Fixed Assets, less Reserve for Depreciation		133,183.67
Deferred Charges		39,224.67
TOTAL ASSETS		<u>\$4,462,905.55</u>

LIABILITIES

Bank Loans:		
Notes Payable (Note 1)	\$ 650,000.00	
Demand Loan—Victory Bonds (Note 2)	250,000.00	\$ 900,000.00
Accounts Payable and Accrued Expenses		2,369,374.06
Reserve for Contract Adjustments (Note 4)		474,916.82
Reserve for Income and Profits Taxes (Notes 3 and 5)		146,981.84
TOTAL CURRENT LIABILITIES		\$3,891,272.72
Advances from U. S. Affiliated Companies		129,324.35
Capital Stock:		
Preferred 6% Cumulative Redeemable (Note 6)	\$ 683,000.00	
Common Stock—No Par Value	10,046.20	693,046.20
Surplus (Deficit) as at December 31, 1942	\$ 317,305.08*	
Add Net Profit for the Year (Note 3)	66,567.36	250,737.72*
TOTAL LIABILITIES		<u>\$4,462,905.55</u>

NOTE: The above condensed balance sheet is subject to the notes to the condensed balance sheet on the next succeeding page.

*Italics * denote red figures.*

BOEING AIRCRAFT OF CANADA LIMITED

NOTES TO CONDENSED BALANCE SHEET

DECEMBER 31, 1943

NOTE 1:

Proceeds from certain Contracts, including Receivables are pledged to secure Notes Payable to Bank of \$650,000.00.

NOTE 2:

Victory Bonds subscribed for by the Company costing \$250,000.00 are pledged to secure a Demand Loan payable to Bank of \$250,000.00 for their purchase.

NOTE 3:

There is included in Inventories an amount of \$32,599,021.79 covering expenditures made on certain aircraft contracts under which deliveries costing approximately \$23,000,000.00 have been made during the years 1941 to 1943 inclusive. The Company currently recovers costs as determined by the Canadian Government through progress payments. Under the terms of these contracts the determination of profit is left to the discretion of the Minister of Munitions and Supply. No profit thereon has been received or included in this statement, nor has any provision been made for income and profits taxes in respect thereto.

NOTE 4:

During the year the Company made provision for probable required downward adjustment in the sales price of items delivered under certain contracts in the aggregate amount of \$151,118.80. As of December 31, 1943, there remained in this account an unsettled balance of \$474,916.82.

NOTE 5:

Provision has been made for estimated income and profits taxes. The exact amount thereof cannot be determined pending hearing of the Company's application before the Board of Referees appointed under the provisions of the Excess Profits Tax Act.

NOTE 6:

Dividends on the 6% Cumulative Redeemable Preference Shares are in arrears in an amount of \$354,670.00.

NOTE 7:

Contingent Liability—Letters of Credit of \$48,610.00 for production material purchases payable on delivery; and guarantee of Bank Loan of \$601,127.22 to employees for Victory Bond subscriptions secured by unreleased bonds totaling \$656,500.00.

ACCOUNTANTS' REPORT

To The Shareholders.

BOEING AIRCRAFT OF CANADA LIMITED:

We report to the Shareholders that we have made an examination of the accounts of Boeing Aircraft of Canada Limited for the year ended December 31st, 1943, and have obtained all the information and explanations we have required.

We have examined the Condensed Balance Sheet of the Company as at December 31st, 1943, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying Condensed Balance Sheet presents fairly the position of Boeing Aircraft of Canada Limited as at December 31st, 1943, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

Vancouver, B. C.,
March 27th, 1944.

BOARD OF DIRECTORS

WILLIAM M. ALLEN
Of Messrs. Holman, Sprague
& Allen

FRED P. LAUDAN
Vice-President
Boeing Aircraft Company

HAROLD E. BOWMAN
Secretary and Treasurer
Boeing Aircraft Company

J. E. SCHAEFER
Vice-President
Wichita, Kansas

DARRAH CORBET
Seattle, Washington

DIETRICH SCHMITZ
Seattle, Washington

CLAIRE L. EGTVEDT
Chairman
Boeing Aircraft Company

H. O. WEST
Executive Vice-President
Boeing Aircraft Company

P. G. JOHNSON
President and General Manager
Boeing Aircraft Company

OFFICERS

P. G. JOHNSON	President
CLAIRE L. EGTVEDT	Chairman
H. O. WEST	Executive Vice-President
J. E. SCHAEFER	Vice-President
W. E. BEALL	Vice-President—Engineering
JAMES P. MURRAY	Vice-President
HAROLD E. BOWMAN	Secretary and Treasurer

General Counsel

HOLMAN, SPRAGUE & ALLEN

General Auditors

ALLEN R. SMART & CO.

Transfer Agent

CITY BANK FARMERS TRUST COMPANY, NEW YORK

Registrar

THE NATIONAL CITY BANK OF NEW YORK, NEW YORK



ABOVE: The 10,000 Wichita-built Boeing Kaydets have given primary training to more Army and Navy fliers than any other type trainer.

BELOW: Neither fighter opposition nor flak-filled skies have ever turned back a Flying Fortress mission from its designated target.





ABOVE: New equipment enables Flying Fortresses to bomb with accuracy even through solid clouds, permitting constant operations against enemy targets.

BELOW: Another Boeing Flying Fortress is born. By March, 1944, production had reached a rate more than 14 times that of the month before Pearl Harbor.









16,126



*Sixteen thousand one hundred twenty-six
former Boeing employees are now in the
service of our country.*